



TRASTA KOMERCBANKA

PUBLIC QUARTERLY FINANCIAL STATEMENT
OF JSC TRASTA KOMERCBANKA
FOR THE PERIOD ENDING 30 SEPTEMBER 2007

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GENERAL INFORMATION

JSC TRASTA KOMERCBANKA is a joint-stock company that is registered with the Commercial register of the Republic of Latvia under identification No 40003029667 and that operates in accordance with legislation of the Republic of Latvia and credit institution licence No 8 issued by the Bank of Latvia. The legal address of the Bank is 9 Miesnieku Street, Riga, Latvia, LV-1050. The Bank provides a full range of financial services. The priority of the Bank's activity is provision of exclusive bank services to individuals and legal entities.

The Bank has five representative offices outside Latvia, i.e. in Canada, Bulgaria, Kazakhstan, Ukraine and Belarus whose task is to represent the Bank's interests in respective countries and to maintain relationships with the Bank's customers and provide them with necessary information. The Bank has three branches, i.e. two in Latvia and one in Cyprus; their functions include provision of financial services to the Bank's customers.

The Bank has established two Latvian subsidiary companies, i.e. *TKB LĪZINGS*, Ltd. and *TKB NEKUSTAMIE ĪPAŠUMI*, Ltd. whose services expand the range of services offered by the Bank.

This public quarterly financial statement has been prepared in accordance with the regulations on preparation of banks' public quarterly financial statements approved by the Financial and Capital Market Commission. The purpose of the statement is to provide comprehensive information regarding financial standing of the Bank and the Group, results of operations, and risks related to the Bank's activity.

The monetary unit used in the statement is the monetary unit of the Republic of Latvia – **lat**. All amounts in the financial statement are indicated in **thousands of lats**.

For the accounting period from 1 January 2007 till 31 June 2007 the Bank has prepared a brief interim financial statement, which was audited by Ernst&Young (Licence No. 17). For the accounting period from 1 July 2007 till 30 September the Bank has not had any additional interim audits.

This financial statement is available at the Bank's legal address and in all branches, and it is placed on the home page of the Bank in the Internet at www.tkb.lv.



Gundars Grieze
Chairperson of the Board

Riga,
20 November 2007

COMPOSITION OF THE CONSOLIDATED GROUP

No	Name of commercial company	Registration place code , registration address	Type of activity of commercial company *	Share in the fixed capital (%)	Voting share in commercial company (%)	Grounds for inclusion in the Group**
1	<i>TKB līzings, Ltd.,</i> reg. No 40003591059	7 Palasta, Riga, LV	AFI	100	100	SC
2	<i>TKB nekustamie īpašumi, Ltd.,</i> reg. No 40003723143	7 Palasta, Riga, LV	ACC	75	75	SC

* - BNK – bank, IC – insurance company, RI – reinsurer, IMC – insurance management company, IBC – investment brokerage company, IMC – investment management company, PF – pension fund, AFI – another financial institution, FMC – financial management company, ACC – another commercial company.

** - SC – subsidiary company, JVC – joint-venture company, PC – parent company.

MANAGEMENT OF THE BANK BANKAS (PARENT COMPANY OF THE GROUP)

(1) Shareholders of the Bank (parent company of the group)

Paid fixed capital

The Bank's registered and paid fixed capital as of 30 September 2007 is 5,537,000 lats (in 2006: 5,537,000 lats), which consists of 110,742 ordinary shares with the voting power, with par value of 50 lats. The total number of shareholders is 43, out of which 11 are legal entities and 32 individuals.

List of shareholders:

Shareholder	Country	Shares on 30 September 2007		Shares on 31 December 2006	
		%	LVL'000	%	LVL'000
I.Buimisters	Latvia	32.98	1,826	32.98	1,826
S.Tarasenoks*	Latvia	16.19	896	16.19	896
SIA "C&R Invest"	Latvia	15.55	861	7.77	430
Powerplus LLC	USA	-	-	7.78	431
GCK Holdings					
Netherlands B.V.	Netherlands	7.78	431	7.78	431
C.E.G. Treherne	Great Britain	7.77	430	7.77	430
Rikam S.A.H.	Luxembourg	7.77	430	7.77	430
Figon Co Limited	Cyprus	3.62	201	3.62	201
Other shareholders		8.34	462	8.34	462

* According to the decision of the Republic of Latvia Supreme Court as from 5 June 2007 the share ownership rights of N. Tarasenok and A. Tarasenok have been upheld, accordingly 1/2 of the deemed share. This judgement has been arrested and thereby re-registration of the ownership rights has not been made.

MANAGEMENT OF THE BANK (PARENT COMPANY OF THE GROUP) (continued)

(2) Council and Board of the Bank (parent company of the group)

Council

Name, surname	Title	Date of election
Igors Buimisters	Chairman of the Council	24.03.2006, repeatedly - 19.05.2006.
Alfrēds Čepānis	Member of the Council	30.03.1999, recurrently - 19.05.2006.
Charles E.G. Treherne	Member of the Council	16.03.2001, recurrently - 19.05.2006.

During the accounting period no changes in the composition of the Council occurred.

Board

Name, surname	Title	Date of election
Gundars Grieze	Chairperson of the Board	28.06.1999, recurrently -23.03.2006.
Māris Fogelis	First Deputy Chairman of the Board	28.06.1999, recurrently 23.03.2006.
Viktors Ziemelis	Deputy Chairman of the Board	28.03.2003, recurrently 23.03.2006.
Svetlana Krasovska	Member of the Board	24.10.1995, recurrently 23.03.2006.
Tatjana Konnova	Member of the Board	23.03.2006.

During the accounting period no changes in the composition of the Board occurred

MANAGEMENT OF THE BANK (PARENT COMPANY OF THE GROUP) (continued)

(3) Structure of the Bank (parent company of the group)

JSC Trasta komercbanka

Head Office

9 Miesnieku Street, Riga, LV – 1050, Latvia
tel.: 7027711, fax: 7027700,
e-mail: info@tkb.lv

Cyprus branch

Head of the Branch *Constantinos Constantinou*
26 Vyronos Avenue, 1096, Nicosia, Cyprus
telephone +357 22676766, +357 22677797, e-mail: info@tkb.com.cy

Internal Audit Division

Head of Division *Olga Lomaša*

Liepaja Branch

Head of the Branch *Guntis Brūders*
10 Kursu Street, Liepaja, LV-3401, Latvia
telephone 6 3483917, Fax 6 3483918, e- mail:liepaja@tkb.lv

Financial Market Department

Head of Department *Marina Krutiļina*

Daugavpils Branch

Head of the Branch - *Marija Rimvide Mickevica*
Lacplesa iela 10, Daugavpils, LV-5401, Latvia
telephones 6 5457961, Fax: 6 5457966, e-mail: daugavpils@tkb.lv

Securities Market and Bank Investments Department

Head of Department *Sergejs Popovs*

Representative Office in Ukraine

Head of Representative Office *Aleksandrs Bikovecs*
Kiev, 43/11 Moskovskaja Street, 2nd floor
telephone +380 44 4963402, e- mail: ukraine@tkb.lv

Lending Department

Head of Department *Tatjana Konnova*

Representative Office in Kazakhstan

Head of Representative Office *Tatjana Coja*
Alma-Ata, 68-74 Abaja ave., office 425
telephone +7 327 2502554, Fax: +7 327 2502559,
e- mail: kazakstan@tkb.lv

Customer Department

Head of Department *Ilmars Putnis*

Representative Office in Canada

Head of Representative Office *Aleksejs Redņevs*
2 St.Clair Avenue East, Suite 800, Toronto, Ontario, M4T 2T5
telephone +1 (416) 644 4941, Fakss: +1 (416) 644 4946,
e- mail: canada@tkb.lv

Accounting and Payments Department

Head of Department – Head Accountant
Svetlana Krasovska

Representative Office in Belarus

Head of Representative Office *Marija Okuloviča*
Minsk, 15 Storozhevskaja Street (Hotel "Belarus"), office 305
telephone +375 17 2344333, Tel./fax: +375 17 2097305, e-mail:
belarus@tkb.lv

Correspondent Relations and Payments Department

Head of Management *Natalja Nikolajenko*

Representative Office in Bulgaria

Head of Representative Office *Nikolay Kanariev*
41, Sturma Street, office 2, Nesebar, 8230, Bulgaria
tel.+359(0) 554 4 65 10, +359 (0)554 4 65 11, +359 888 25 44 60
Fax: +359 (0) 554 4 65 12,
e-pasts: bulgaria@tkb.lv

Administrative Department

Head of Department *Māris Jaunozols*

Information System Department

Head of Department (deputy) *Gundars Grieze*

AML Compliance Division

Head of Division *Vija Arsenjeva*

MANAGEMENT OF THE BANK (PARENT COMPANY OF THE GROUP) (continued)

(4) Strategy and Objectives of the Bank (parent company of the group)

We are an international private bank for chosen clientele whom we provide with exclusive and high-quality financial services using newest technologies.

Taking into consideration possible external disturbances (swing in oil prices, religious problems, etc.) and internal disturbances (inflation, drop of real estate prices, etc.) the Bank chooses conservative development strategy that does not pursue maximum profit, which in its turn requires risky investments, thus the Bank achieves its main purpose, retains shareholders equity and annually receives profit.

The Bank is an international bank providing services to its customers thorough a network of its international branches.

Objectives of the Bank:

- ✓ To retain shareholders equity
- ✓ To secure return on equity (ROE) not less than 25% every year.
- ✓ To offer professional and quality service to every customer.
- ✓ To keep track of technological innovations and implement those into customer service. To secure 100% of Trastnet functioning at all times. To focus on speed and simplicity as main objectives in development of the information technology.

Values of the Bank:

- ✓ The Bank considers its personnel to be the main resource for achieving the Bank's mission. The Bank provides for professional growth of its personnel and takes care of its employees.
- ✓ The Bank's reputation is in the focus of its attention. The Bank closely follows requirements of legislation regarding prevention of legalization of illegally acquired proceeds, the Bank does not cooperate with the customers and does not perform transactions that cause doubts as far as the said requirements are considered.
- ✓ Conservative approach is at the basis of the Bank's development concept.
- ✓ The Bank does not provide services to high-risk customers who do not have their business history and respective recommendations.
- ✓ Information technologies are at the forefront of the customer service.

RISK ANALYSIS

In order to ensure management of financial risks and comply with the requirements of normative documents regulating the indicators characterising the Bank's main activity – adequacy of capital, liquidity, foreign currency positions, as well as to monitor risks of the Bank's transactions, the Bank has approved relevant policies, including the Risk Management Policy, Liquidity Management Policy, Interest Rate Risk Management Policy, Foreign Currency Risk Management Policy, State Risk Management Policy, Lending Policy, Investment Policy and Trading Portfolio Policy. These policies are continuously updated and improved taking into account market tendencies and development of the Bank's main activity.

The Bank conforms with its both short-term and long-term liquidity requirements by observing FCMC Regulations on the Compliance with Liquidity Requirements for a credit institution. According to these requirements the Bank maintains liquid assets in the amount of not less than 30% of the total current liabilities. The actual Bank's liquidity index as of 30.09.2007 was 62.72% (31.12.2006: 79.80%).

The ratio of the Bank's equity and weighted value of assets and off-balance sheet liabilities, which is set at not lower than 8%, as of 30.09.2007 was 14.22% (31.12.2006: 12.84%).

In accordance with the relevant policies, the Bank performs control of currency risk on a regular basis in order to minimize Bank's possible losses due to fluctuations of currency exchange rate. As a result, the Bank secured meeting requirements of respective normative documents and its total open position in foreign currency 30.09.2007 was 4.37% (31.12.2006: 1.50%) of the Bank's equity. According to the law On Credit Institutions, the total foreign currency open position should not exceed 20% of a bank's equity.

In order to ensure compliance with the limits set in the State Risk Management Policy, the Bank performs daily and monthly monitoring of said limits. Limits for transaction partners and transaction types are determined after assessing state and transaction partners' risks.

Implementation of Investment Policy and Trading Portfolio Policy prescribes for weekly and daily evaluation of the assets respectively included therein. This helps the Bank to use short-term and mid-term investments in a more efficient manner.

The assessed fair value of financial instruments is set in accordance with the requirements included in SGS Chapter 32 "Financial Instruments: Disclosure and Presentation of Information". Fair value is defined as value for which it is possible to exchange assets in a transaction where well-informed, interested and financially independent parties are involved and a transaction is not a forced sale because of liquidation. All assets and liabilities in this report correspond to their fair value.

Providing financial services to its customers the Bank is aware of the risk that it may be involved in the process of legalization of illegally acquired proceeds, therefore the Bank takes active measures to improve its control system in this respect.

The Bank has developed the internal control system regarding prevention of laundering of proceeds derived from criminal activity and financing of terrorism (hereinafter referred to as ICS) that is an aggregate of documents and measures, the purpose of which is to minimize the possibility of the Bank being involved in legalization of illegally acquired proceeds and financing of terrorism and to prevent losses related to rapid loss of trust.

RISK ANALYSIS (continued)

ICS of the Bank is developed taking into consideration regulatory enactments of the Republic of Latvia and best international practice. ICS defines the following aspects:

- ✓ procedure for identification of customers and actual beneficiaries,
- ✓ procedure for monitoring of customers' economic activities,
- ✓ principles according to which the Bank chooses its customers,
- ✓ occasions when the Bank does not start or terminates cooperation with a customer,
- ✓ procedure for determining customers' risk and for relevant supervision of transactions of this risk group,
- ✓ procedure for identification of unusual or suspicious financial transactions and submission of reports regarding such transactions.

Providing its services to a customer the Bank learns about the customer's business, carefully examines it and evaluates whether the Bank's services that the customer wants to use relevant and appropriate for the customer's business. The Bank also checks on a regular basis if the business primarily declared by the customer corresponds to the customer's account transactions. In order to identify unusual or suspicious financial transactions, the Bank regularly monitors customer's transactions pursuant to the procedure set at the Bank.

The Bank is aware of the fact that information about the origin of a customer's financial resources and enables the Bank to identify suspicious transactions, that is why the Bank works by the principle: "Know your customer".

The Bank holds the opinion that acceptable are only such customers' transactions, which are clearly understandable, which have logical or documentary economic substantiation and which do not cause suspicions as to their possible connection with laundering of proceeds derived from criminal activity and financing of terrorism.

The Bank always applies the right to abstain from a transaction, which is specified in the LR law On Prevention of Laundering of Proceeds Derived from Criminal Activity, if there are justified suspicions about illegal origin of assets involved in the transaction.

The Operational Risk Management Policy of the Bank has been worked out in accordance with the strategic plans of the Bank and it is an integral part of this plan. The basic goal of the Operational Risk Management Policy of the Bank is to describe and determine an aggregate of means which would help to reduce to the utmost probability of the Bank to suffer losses due to operational risk events.

BALANCE SHEETS

In thousands of lats

Position	Accounting period (non-audited)		Previous accounting year (audited)	
	Group	Bank	Group	Bank
Cash and balances due from central banks	23 362	23 362	18 706	18 706
Balances due from credit institutions	102 868	102 868	126 792	126 792
Financial assets held-for –trading	8 918	8 918	5 129	5 129
Financial assets available-for-sale	4 855	4 855	3 701	3 701
Loans and accounts receivable	80 097	80 792	43 493	43 480
Investments held-to-maturity	25 117	25 117	55 456	55 456
Accrued income and deferred expenses	210	207	207	207
Fixed assets	4 276	4 270	5 969	5 962
Intangible assets	195	194	190	190
Investments into fixed capital of affiliated or associated enterprises	-	2	-	2
Other assets	4 339	4 290	3 040	3 042
Total assets	254 237	254 875	262 683	262 667
Balances due to credit institutions	4 599	4 599	4 824	4 824
Financial liabilities held-for-trading	5	5	3	3
Financial liabilities qualified as evaluated at fair value with reflection in profit and loss statement	2 826	3 532	-	-
Financial liabilities evaluated at depreciated purchase value	216 672	216 686	226 807	226 839
Accrued expenses and income of future periods	657	649	449	453
Provisions	-	-	21	21
Tax liabilities	721	721	850	845
Other liabilities	4 091	4 048	10 029	9 985
Total liabilities	229 571	230 240	242 983	242 970
Capital and reserves	24 653	24 635	19 693	19 697
Minority participation	13	-	7	-
Total capital, reserves and liabilities	254 237	254 875	262 683	262 667
Contingent liabilities	495	495	566	566
Off-balance sheet liabilities to customers	12 099	13 863	13 366	14 330
Assets in management	84 579	84 579	38 362	38 362

PROFIT AND LOSS STATEMENT

In thousands of lats

Position	Accounting period (non-audited)		Corresponding period of the previous accounting year (non-audited)	
	Group	Bank	Group	Bank
Interest income	12 395	12 257	8 106	8 008
Interest expenses	(1 434)	(1 436)	(1 174)	(1 174)
Dividend income	15	15	31	31
Commission income	4 692	4 690	4 033	4 032
Commission expenses	(1 272)	(1 272)	(1 073)	(1 073)
Net realized profit/losses from financial assets available-for-sale	29	29	(44)	(44)
Net realized profit/losses from financial assets and financial liabilities held-for-trading	200	200	68	68
Profit/losses from currency trading and conversion	6 137	6 139	3 726	3 726
Other income	274	267	59	39
Other expenses	(58)	(55)	(57)	(53)
Administrative expenses	(5 859)	(5 814)	(3 454)	(3 385)
Depreciation	(349)	(347)	(293)	(284)
Result of provisioning for unreliable debts	(2 536)	(2 471)	(350)	(336)
Profit/losses before taxes	12 234	12 202	9 578	9 555
Income tax	(2 182)	(2 178)	(1 337)	(1 335)
Minority profit/losses	7	-	5	-
Accounting period profit/losses	10 045	10 024	8 236	8 220

PERFORMANCE INDICATORS

Position	Accounting period	In the corresponding period of the previous year of account
Return on equity (ROE) (%) ¹	61.28%	80.38%
Return on assets (ROA) (%) ²	4.42%	4.63%

¹ Ratio of profit/losses (after tax) against the Bank's average amount of capital and reserves.

² Ratio of profit/losses (after tax) against the Bank's average amount of assets.